

## Can-Do Attitude Sells Coconut Water

RETAIL: High Volume and Low Pricing Create Opening  
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Originally published May 5, 2016 at 12:16 p.m., updated May 5, 2016 at 12:16 p.m.



Kent Harrington, Mitchell Compton II, and Michael Reidy are the founders of Coconut Beach. The Entrepreneurs thought they could “democratize the space” making coconut water and other product more affordable through high volume and low margins. Images courtesy of Coconut Beach Food and Beverage LLC

San Diego — Three surfers went to lunch, put together a business name, designed their business cards and then knocked on the doors of national retailers asking them to carry their new product.

The retailers said yes. That’s before Coconut Beach Food and Beverage

LLC even had product available.

What sounds like a poorly-told joke is actually reality for the founders of Coconut Beach, a Bonita-based company that sells coconut water and chips. From the initial discussion in February 2015 to the company’s founding a month later, the founders started making deals without brokers or distributors. They were producing and distributing product by July 2015.



Images courtesy of Coconut Beach Food and Beverage LLC

“We were sitting there going, ‘Why do we need another coconut water company?’” said Mitchell Compton II, co-founder of the company. He also runs Dominion West, a local private equity real estate investment firm with co-founder, Michael Reidy, 40. “And we thought, if we could be a volume provider, we could bring the price point way down and democratize the space and bring coconut water to discount retailers.

### Packaging Pays Off

“We went and approached discount retailers and they saw our packaging and the fun and playfulness of it and thought it would look good on their shelves. We had orders with business cards before we had product,” Compton said.

Coconut Beach now has over 100 local retailers in San Diego, ranging from convenience stores like 7-Eleven to the Dollar Tree and the Grocery Outlet from Mission Beach to Del Mar. Coconut Beach products are sold in about 1,000 stores in

California and 15,000 stores nationwide. All of this is through direct sales, cold calls and the founders’ pre-established relationships. Coconut Beach’s suggested retail price is 99 cents for all of their products, a distinction from their competition.

“Food and beverages make smaller margins; it’s not clothing,” said co-founder Kent Harrington, 27. “The American family can afford groceries. So it’s all about high volume and low margin.”

With the presence of bigger coconut water companies in the market, Coconut Beach said they didn’t have to educate consumers about the benefits of their product.

Compton and Reidy have been in business together since 2009 as real estate investors, but both came from the nightclub industry. Compton and Reidy became involved because of their interests in entrepreneurship and coconut products. Harrington brings his experience in the food and beverage industry, and specifically in the coconut business, to spearhead Coconut Beach’s distribution and sales.



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continued — The founders saw the packaging out there for coconut products and thought they could do better, with the help of Less + More, a local ad agency.

Their products are produced in Thailand, thanks to Harrington's relationships from prior business in 2010. The Coconut Beach founders stay pretty hands-on after building the company from scratch.

"We're kind of a logistics company at this point," Compton, 40, said. "We're involved in every area, from tree to shelf. We're not willing to outsource, because we can't scale what we don't understand. We're trying to understand everything about the business so we can put the

resources in the right places."

#### Self-Funded Company

Compton puts their 2015 revenue at over \$1 million and projects the company's current purchase orders and interest from the Natural Products Expo West 2016 in Anaheim could move them into eight figures this year. The founders have self-funded the company and assume they will look for strategic equity partners to gain more access to distribution channels in the future.

The products are also vegan, gluten-free, non-GMO and cholesterol and preservative free, something Compton really appreciates, since his wife was diagnosed with celiac disease 10 years ago. He said the markup on gluten-free products influenced his decision to keep their product affordable, even though retailers can change their prices to be more competitive. They call themselves the anti-\$8 coconut water, saying that only alcoholic coconut water should come at that price.

#### Chip Makers

Coconut Beach plans to expand its product offerings, continue to cut expenses in the supply chain, search for other ways to bring in revenue and look for more traditional distribution channels. Its next product launch at the end of May will be the honey-flavored coconut chips with real honey. They expect to begin selling coconut oil, banana chips and additional flavors of the coconut chip within the next year. The company holds to its tagline, 'No matter what, coconut.'

"We think Coconut Beach is anywhere," Compton said. "It is for sure all those beautiful beaches and places, but it could also be Lake Havasu. It could be wakeboarding in Nebraska. There is water and sand all over this country where people have a fun time. We wanted it to be fun."

#### COCONUT BEACH FOOD AND BEVERAGE LLC

**Founders:** Kent Harrington, Mitchell Compton II, Michael Reidy

**Revenue:** over \$1 million (2015)

**No. of local employees:** 3 co-founders

**Investors:** Self-funded

**Headquarters:** Bonita

**Year founded:** 2015

**Company description:** low-price coconut food and beverage company

**Key factors for success:** capitalized on underserved part of the market with price point and effective packaging